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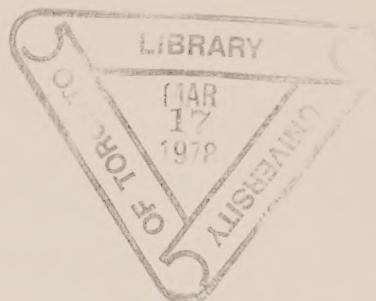
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ONTARIO
at the
Conference of First Ministers
on the Economy
Ottawa
February 13-15, 1978



The Honourable William G. Davis
Premier of Ontario

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Ottawa, February 13-15, 1978
 - An Economic Development Policy
for Canada
 - Immediate Actions for Job Creation
 - Summary of Alternative Ideas on
Consultations on the Economy
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The Premier
of Ontario

Parliament Buildings
Queen's Park
Toronto Ontario

A LETTER FROM THE PREMIER OF ONTARIO

Last month, I had the privilege of representing the Province of Ontario at a meeting of the First Ministers of Canada. We discussed the economy, and for several reasons I thought it was a most constructive and promising conference.

First, a foundation was laid for closer and more regular intergovernmental consultation on economic policy.

Second, there was a consensus to accord a higher priority to the private sector recognizing its fundamental importance to the economic health of our country.

Third, it was agreed to explore a significantly higher degree of co-operation between governments and the private sector on economic issues.

Ontario went to this meeting with specific ideas for both short and long-term policies. Our views were presented to the Conference in two papers entitled "Immediate Actions for Job Creation" and "An Economic Development Policy for Canada". Both initiatives were well received, and many specifics found their way into the published conclusions of the Conference.

I thought that as many Ontarians as possible should have the opportunity to consider these views, and I therefore enclose with this letter our two major documents and the Conference conclusions.



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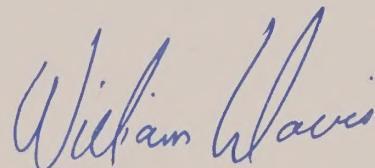
Another important matter that we discussed, and on which we will be seeking a firm conclusion, was how to ensure that these vital consultations be developed. Again, Ontario had a specific proposal for a National Council on the Economy. This idea and others were brought together in a paper tabled at the end of the Conference, and I also enclose a copy of that summary.

As we embark on what I hope will be a new era of genuine co-operation among the governments and the people of this country, I think it is exceptionally important that we have an explicit contribution on these very critical matters from the private sector. Therefore, and while recognizing the many demands on your time, I would be most grateful if you would read the material in this folder, and send me your views c/o Queen's Park, Toronto.

I would add that a wide range of related programs appears in the recent Speech from the Throne, and the Government's fiscal and economic measures are contained in the Provincial Budget of March 7 placed before the Legislative Assembly by Treasurer Darcy McKeough. We would also welcome your views on this material which you may obtain by returning the order form in the folder.

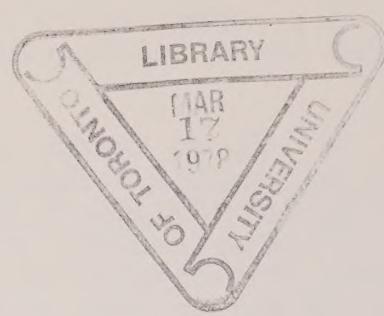
Thank you for taking the time to read this letter, and I hope to hear from you in the near future. Your opinions on matters which so profoundly affect the well-being of each of us are valued, and, I can assure you, will be carefully read by me and my colleagues.

Sincerely,



William G. Davis

March, 1978



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Government
of Canada
1978
Federal-Provincial
Conference of First Ministers
Ottawa

February 13-15, 1978

AN ECONOMIC DEVELOPMENT POLICY FOR CANADA



Presented by the
Honourable William G. Davis
Premier of Ontario

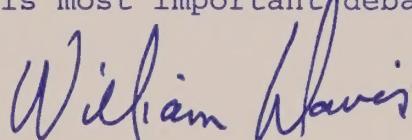
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FOREWORD

For many years, governments have been talking about the need for economic development policies. There is agreement that the nation would benefit from some plainly stated objectives as to the directions we should take to sustain our economic health. The Ontario Government believes that, with this Conference of First Ministers, there is an opportunity to begin mapping a strategy for the future growth and enrichment of our economy.

The issues will seem, at first, somewhat familiar, and the problems much the same as they have always been. In our stable political and economic system, regional and federal interests tend to become locked into fixed positions. These positions are not without their merits, and have helped to shape the course of our national history. However, we have entered a different age, and new demands are upon us. Major shifts in the focus of economic activity are called for if we are to achieve the potential which is open to us. These call for an examination of many comfortable assumptions and old preferences. If we are to make progress as a nation in the decades ahead, new policies and attitudes will have to be developed.

This document contains an outline of the Ontario Government's views on some of the basic building blocks we need for a fresh beginning. I hope you will consider them, test them against your own opinions, and let your own thinking be known in this most important debate.



William G. Davis
Premier of Ontario

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THE PROBLEM

In the past decade, Canadian real incomes have grown considerably faster than those in the United States. At the same time, however, fundamental structural problems have been developing in Canada's economy. In some ways, prosperity itself, bestowed by favourable terms of trade in resource products, has allowed Canadians to overlook longer term implications. In recent years, however, the twin impact of unacceptably high rates of inflation and unemployment have reminded Canadians of their vulnerability to world economic conditions.

Higher priced energy, the balance of payments problems, and increased competition from the Third World, as well as major industrial nations, have served to focus attention on the economy's reduced international competitiveness. Canada has entered a tough new environment in which it cannot be assumed that the economy will be as responsive to world economic recovery as in the past.

The restoration of competitiveness and full employment requires major structural policy initiatives. These are the reasons for taking stock, setting economic targets and determining appropriate policies.

MEDIUM TERM TARGETS AND POLICIES

The federal document "Medium Term Projections and Targets" presents a growth scenario for the Canadian economy over the next four years.

- It describes a very different path from the one the economy has been following over the past five years.
- It provides the targets, but not the policies, required to achieve the recovery path.
- It implies the application of new policies and programs to reach the goals.

FEDERAL TARGETS FOR THE ECONOMY

Table 1

	Annual Average	
	Actual 1973-1977 (%)	Target 1978-1981 (%)
Real GNP	3.9	5.5
Employment	3.1	2.8
Labour Force	3.5	2.3

Source: Statistics Canada and Finance Canada.

The growth targets outline a moderation of the national unemployment level towards 5 per cent in 1982. They also suggest a goal of 1.1 million jobs to be created in Canada over the next four years. This figure is 300,000 higher than the trend (or benchmark) forecast based on past performance of the economy, and 250,000 higher than the rate of job creation in the last four years.

Job Creation Targets

- The medium term strategy outlines a set of targets which will return the focus of new job creation to Canada's manufacturing industries. Manufacturing employment is now targeted to grow almost five times as rapidly as in the past five years.
- By contrast, the service sector and, in particular, public administration is targeted to reduce its growth substantially in the years ahead.

NEW JOB CREATION IN CANADA

Table 2

	Annual Average	
	Actual 1973-1977 ('000)	Target 1978-1981 ('000)
Agriculture, Forestry, Fishing and Mining	2	2
Construction	29	14
Manufacturing	17	74
Trade	55	53
Transportation and Utilities	19	24
Business & Personal Services	103	66
Financial Services	28	21
Public Administration	25	14

Source: Statistics Canada and Finance Canada.

Investment Targets

- The shift towards energy, transportation and manufacturing investment expenditures is a critical assumption in supporting the growth targets.
- Private non-residential construction activity and machinery and equipment expenditures are targeted to rise by 7.3 per cent in real terms annually, compared with an average of 5.7 per cent in the recent past.

PRIVATE INVESTMENT IN CANADA

Table 3

	Actual Average 1972-1976 (1971 \$ millions)	Target 1981 (1971 \$ millions)	% Change
Agriculture, Forestry & Fishing			
Mining	1,718	1,265	-26
Construction	1,733	1,775	2
Manufacturing	384	333	-13
Durable	1,457	2,619	80
Non Durable	1,964	2,929	49
Storage & Communications	1,196	1,731	45
Trade	705	1,221	73
Transportation	1,012	2,042	101
Pipelines	291	1,110	600
Electric Power	2,286	4,083	79
Personal Services	1,488	1,464	- 2
Financial Services	1,104	1,221	11

Source: Statistics Canada and Finance Canada.

Export Targets

- Unlike the trend of recent years, a relatively strong export sector, and moderating import growth are key components of the target recovery path for the medium term. This will reverse the sharp deterioration in Canada's current account that has resulted from accelerating costs and a sluggish productivity performance.
- In particular, the tourism account and trade in end product manufactures will have to be turned around sharply if real export growth is to accelerate and import growth is to decline.

CANADA'S TRADE PERFORMANCE
(annual per cent)

Table 4

	Actual 1973-1977	Target 1978-1981
Real Export Growth	3.7	6.4
Real Import Growth	6.3	5.5

Source: Statistics Canada and Finance Canada.

Price and Cost Targets

- Continued deceleration of prices and wages is the essential ingredient behind the targeted expansion of real incomes, employment, consumption, investment and exports. It is the key to an improved profit performance and enhanced competitiveness of Canadian industry, both at home and abroad.

PRICE, COST AND PRODUCTIVITY
PERFORMANCE IN CANADA

Table 5

	Annual Average 1973-1977 (%)	Target 1981 (%)
Prices	9.0	3.5
Productivity	0.8	2.6
Unit Labour Costs	11.0	3.4
Average Wages	11.8	6.0
Real Wages	2.8	2.5

Source: Statistics Canada and Finance Canada.

In summary, the new directions for Canada's economy described in these targets cannot be taken as a matter of course. Their achievement will depend on the ability to contain domestic inflation, to encourage new investment and an improved productivity performance, and to seek out new opportunities in markets at home and abroad. To some extent, the economy will be aided in this process by the more competitive value of the Canadian dollar, and stronger markets among our trading partners. Clearly, however, the magnitude of the shifts involved in the medium term imply a positive new program of government and private action to ensure that the growth targets are achieved.

Economic management will have to be innovative and will require a greater degree of federal-provincial cooperation and coordination than has been the case in the past. Moreover, there must be a larger role for effective consultation with business, labour and other affected groups in the private sector.

As its contribution to new policy directions, Ontario has set forth below a set of proposals designed to move the Canadian economy to a positive growth path. These proposals deal with four key areas which will affect Canada's capacity to make the major adjustments necessary. Specifically, they are policies to:

- ensure longer term price stability;
- encourage investment and improve the business climate;
- promote Canadian competitiveness at home and abroad; and
- deliver growth to all regions of Canada.

PRICE STABILITY

a) Public Sector Restraint

Attempts by governments to spend their way out of our current problems are not a viable solution, either in the short or the longer term.

The effectiveness of short-term fiscal actions designed to create employment and incomes would suffer substantially from leakages via higher imports and increased personal savings. Government must focus its priorities on the need to contain inflation and free up resources for the expansion of the private sector. Containing domestic inflation is as critical to restoring consumer confidence and lowering abnormal savings rates as it is to increasing international competitiveness and reducing imports. Both of these objectives can be achieved within the context of our post-control anti-inflation and public sector restraint targets.

Moreover, governments in Canada already are providing fiscal stimulus to the economy far beyond that associated with conventional "full employment budgeting" concepts. Studies undertaken by the Ontario Government suggest that within current tax structures, even at full employment, Ontario would have generated a deficit of some \$727 million last year; at the federal level, the deficit would have been more than \$5.3 billion. These figures indicate that substantial expansionary fiscal stimulus already exists in Canada. More importantly, they indicate the dangers in relying on more public spending as a solution to Canada's present economic problems.

Improved private sector growth will be essential in restoring the revenue generating capacity of the existing tax structure and the budgetary balance that will be essential to longer term stability in the economy. Without government spending restraint, the fiscal structure in Canada might well fuel a strong inflationary spiral once the economy moves closer to full employment.

Recommendation: Governments should jointly undertake a commitment to hold the growth of public spending to less than the growth in the economy generally, and public sector employment growth to a rate less than the rate of growth of the population.

b) Post Controls Anti-Inflation Policy

In recent years, Canadians have been reminded that in a country as dependent on foreign trade as Canada, the issue of unemployment is not separate from inflation. Inflation costs jobs.

Ontario has supported the federal Anti-Inflation Program as a national effort to deal with an inflation problem of national and international dimensions. Inflation lies behind the serious erosion of Canada's competitive position in the seventies. The wide-spread and increasing public support of the Anti-Inflation Program has been symptomatic of the vital need to restore confidence in the economy. The results of the AIP in this regard have been positive: rates of increase in wages and prices have moderated significantly since its inception. Canada's cost disadvantage relative to the United States, its major trading partner, although still large, is no longer widening.

Nevertheless, the AIP, based as it is on bureaucratic controls and interference in the free market system, has numerous problems and dangers for the longer term. On April 14, 1978 controls will begin phasing out. Clearly, concern for ensuring price stability, and its impact on employment, cannot end there.

Realistic forecasts of the performance of the economy must be established to provide Canadians with some perspective on the capacity of the economy to generate incomes and provide jobs. It will be important to continue the process, begun under the AIP, of ensuring that the grip of inflationary expectations, and the mistrust and collapse of self-restraint which follow, do not again take hold of the economy. There must be wider appreciation that the only way to sustained real income gains is through productivity increases.

Recommendation: National wage and price targets, consistent with our targets for reducing the unemployment rate, should be established. Voluntary "guide-rules" on wage and price increases in individual industrial sectors should reflect specific unemployment and excess capacity rates.

Recommendation: A medium term national strategy to achieve the economic targets must involve structural approaches to increase productivity, restore the balance of payments and minimize inflation.

Recommendation: Both economic target setting and development of a national economic strategy for achieving the targets should be a priority of the First Ministers, assisted by annual meetings of Ministers of Finance.

Recommendation: As part of a coordinated national strategy for economic development, national monetary target growth should be consistent with national price and employment targets.

The public sector, in its expenditure programs, its salary administration and its regulatory activities, has been essentially unresponsive to current economic conditions. If not firmly checked, wage, price and cost increases emanating directly and indirectly from the public sector will jeopardize the attainment of the targets of full employment with low rates of inflation.

Recommendation: Wage and salary awards in the public sector should not out-pace those in the private sector and should bear in mind our obligations to the taxpayers.

Recommendation: A review of the impact on jobs and costs of all new regulatory actions is required.

IMPROVING THE BUSINESS CLIMATE
AND INCREASING PRIVATE INVESTMENT

a) Investor Confidence

Private enterprise needs more confidence and less uncertainty if it is to risk new capital investment to improve productivity and expand employment.

In large part, confidence will rest on the condition of the world and Canadian economies, but part will also reflect the commitment of federal and provincial governments in Canada to provide effective and consistent support to private decision-making.

Recommendation: The first commitment must be to manufacturing; there can be no simple acceptance of the status quo in output and employment, but there must be action to bring about increasing employment in manufacturing, and an increase in its share of GNP.

Recommendation: The federal-provincial corporate tax structure, currently up to 7 percentage points lower than in many of the major industrial states of the U.S., must remain competitive, even in the face of increased U.S. use of tax incentives and other devices to attract industry.

Recommendation: The pressure to expand an already excessive regulatory structure must be resisted, and existing regulatory agencies must continue to be overruled when the realities of the economic environment demand it.

Recommendation: GATT negotiations will lead to much tougher competition in the Canadian market from off-shore producers. A revised Competition Act is unnecessary, and would impose yet another bureaucratic burden on Canadian producers precisely when they should be devoting their full efforts to rationalizing and improving their productivity. For similar reasons, major changes to the Bank Act should be avoided, and the Borrowers and Depositors Protection Act shelved.

b) Government and Resources

Governments in Canada must be prepared to free up resources and transfer growth initiatives to the private sector.

By absorbing a major share of available domestic debt markets, governments have crowded out of the capital market many Canadian business firms which do not have access to international markets. Government competition for technology, human skills, financial resources and goods and services has been a major factor in increasing costs and reducing the competitiveness of the Canadian private sector. Some of the startling facts are that:

- Governments employ more than half the PhD's in Canada; with universities employing almost as many, few are left to manufacturing to provide the technological advances necessary to the success of an industrialized country;
- With the public sector hiring almost one-third of all entrants to the labour force in the past decade, wages and salaries have inevitably been bid up beyond competitive levels; and
- By absorbing 30 per cent of national output for their own programs, and commanding another 10 per cent for transfer payments to individuals, governments have squeezed out not only existing firms, but have made it increasingly difficult for new firms with new ideas to get started in Canada.

Recommendation: Commitment to a continuing policy of fiscal restraint by all levels of government will free up resources for the private sector and restore investor confidence.

c) Adjustment Assistance

In addition to a competitive corporate tax structure and a more competitive wage structure, Canadian industry must be encouraged and given the incentives to pay much greater attention to innovation, international marketing and industrial restructuring.

Innovation: Technological innovation is a key factor in providing new job opportunities and improving the performance of productivity and exports. The deficiency in Canada's ratio of research and development expenditures to GNP is dramatic: Canada spends 1.1 per cent compared with 2.4 per cent for the U.S. and 2.3 per cent for West Germany. This deficiency lies entirely in industrial R & D since U.S. industry performs 40 times as much R & D as Canadian industry. For example, General Motors, IBM and Ford each spend more in the United States than all industry spends in Canada. The differences would be greater if industrial design were included.

If Canada were to fill the gap, about 50,000 scientists, engineers, designers and technologists in Canadian manufacturing would be needed, i.e., an average of 8 additional such people for every manufacturing firm with 50 or more employees.

Recommendation: *Governments should replace existing research, design and development (R, D & D) assistance programs with federal and provincial performance tax credits which would provide direct incentives for expanded levels of R, D & D activity in Canada.*

Recommendation: *The federal government should redirect its existing R, D & D spending so that the proportion conducted by industry rises from 20 to 50 per cent of the total, as is the case in the United States.*

Recommendation: R, D & D consortia and other cooperative efforts to increase innovation in Canada should be identified by industry/government sector committees and specifically exempted from federal competition restrictions.

International Marketing: Canadians have limited international marketing expertise since most exports are raw or fabricated materials "bought" by a relatively small number of companies primarily on a price basis and as a result of long lasting historical relationships. Only 19 per cent of exports are final products (excluding autos) which are "sold" primarily on the basis of product design, superior quality, as well as price. By comparison, 48 per cent of U.S., 55 per cent of West German and 57 per cent of Japanese exports are final products supported by sophisticated marketing channels.

For these products, and especially consumer products, where Canadian manufacturers are particularly weak, marketing costs are often greater than production costs and economies of scale in marketing favour large multi-national firms.

Recommendation: The federal Enterprise Development Program (EDP) should focus its grants on international marketing initiatives such as test marketing and start-up costs for sales offices outside of Canada.

Recommendation: The EDP should also develop specialized marketing services to assist Canadian manufacturers to break through complex government procurement regulations and to deal with less developed and state trading countries.

Restructuring: The Canadian manufacturing structure, characterized by branch plants producing a wide range of items in short production runs, must specialize to reduce costs and meet international competition. At the same time, many small Canadian firms cannot cope with increased international competition unless they can benefit from economies of scale in production and marketing, and unless they can offset the risks of product innovation and establishing international marketing channels.

If industry is to restructure, the federal government must end its preoccupation with the state of domestic competition. Sufficient discipline is imposed by international competition. About 70 per cent of Canada's manufacturing industry is engaged in markets at home or abroad in which foreign competition is a major factor.

Recommendation: *Trade sensitive industries should not be restricted from mergers by either the Competition Act or FIRA.*

EMPLOYMENT IN CANADA'S
MANUFACTURING INDUSTRY, 1975

Table 6

	Employment (000)	% of Total
Export Oriented	200	12
Internationally Rationalized	257	15
Potential for Rationalization	224	13
Import Competing	542	32
Low Trade	486	29
Total	1,709	100

Source: Ontario Treasury.

d) Government Red Tape

The growing level of government regulation in Canada has added substantially to the costs of housing, transportation, food and non-residential construction.

Regulation is often necessary to protect our health and welfare. Too often, however, regulations have been adopted without adequate assessment of alternate lower cost measures. Moreover, regulations, like many of the bureaucrats who administer them, frequently remain on the books long after they have lost their usefulness.

The Ontario Government believes that when public sector intervention costs jobs or raises prices, the public should be made aware of it. Accordingly, economic impact analyses are now required for all new expenditure and legislative proposals. These analyses identify job

losses and economic costs as well as probable benefits. The Government is also considering the possibility of an automatic review of each of its major activities, and deregulation where it cannot be proven that regulations have to continue to exist for the public interest. More specifically, this involves an active review of:

- the planning process to find ways of lowering housing costs;
- trucking regulations to ensure that archaic and expensive restrictions on licensing are eliminated; and
- the status of self-regulating professional bodies to ensure their powers are consistent with both quality and low cost service to the public.

INCREASING EXPORTS AND REPLACING IMPORTS

a) GATT Negotiations and Export Potential

Canadians must accept the reality of the Geneva negotiations to reduce trade barriers.

Canada's most powerful trading partners, along with 100 other countries, have decided that this is the time for expanded trading opportunities. In view of Canada's extensive dependence on exports, it is not in the national interest to refrain from participation; our negotiators have to be tough at the bargaining table:

Recommendation: There must be reciprocity for Canada and for each of its regions.

Recommendation: Canadian tariff reductions must be paid for by meaningful access for Canadian products in foreign markets. In particular, there must be significant reductions in foreign non-tariff barriers.

Recommendation: There must be a stepped-up program of continuous monitoring of import-dumping with a faster imposition of offsetting levies and quotas.

While these negotiations are multinational, the United States is by far Canada's largest trading partner. The U.S. recently offered to reduce substantially a wide range of tariffs of interest to Canadian exporters in order to encourage acceptance of current proposals in Geneva as well as to obtain long-term assurances of Canadian energy and resource supplies. This requires a careful definition of Canada's priorities in expanding trade with the U.S., and an attempt to gain maximum exports through bargaining on behalf of leading industries.

Recommendation: Restoring the trade balance under the Auto Pact would provide an additional 15,000 to 20,000 jobs in the industry, and 2,500 jobs in automotive research and development.

Recommendation: It must be made clear to the automotive industry, and the United States government, that Canada expects a fair share of the over \$50 billion in new expenditures predicted for the North American industry by 1985.

Recommendation: The agricultural sector must have greater access to U.S. markets in order to rationalize activity in this key sector.

Recommendation: The Canadian petrochemical industry must have assured access to U.S. markets to ensure continuation of a meaningful Canadian resource upgrading strategy.

Recommendation: There must be a plan for improved integration of major industries which takes into account Canada's exceptional adjustment burden, so that both sides can benefit from improved investment opportunities, job creation and income growth.

b) Import Replacement

Canadian industry must be encouraged to take greater advantage of opportunities in the domestic market.

Government support is needed to encourage import replacement by all Canadians when price and quality are competitive. Industry's efforts to restructure and effectively meet competition from abroad can be assisted by a program to promote the purchase of Canadian-made goods by governments, individual citizens, and industry itself. Finally, in many areas, the Canadian market is too small to promote efficiency through extensive regional preferences in government purchasing policy.

Recommendation: Effective coordination of government purchasing in areas such as heavy electrical equipment, urban transit, railroad rolling stock and pharmaceuticals will assist Canadian industry to develop rationalized units capable of competing effectively in world markets.

Recommendation: In addition, an extensive promotional campaign "Make a Job - Buy Canadian", supported by more visible labelling practices by manufacturers, could alert many Canadians to the many opportunities to purchase domestic products of high quality and at prices competitive with imports.

c) Tourism

Major potential exists in policies and programs to encourage individual Canadians to spend their vacations in Canada "seeing Canada first".

If we were able to eliminate the \$1.7 billion deficit on the travel account, as many as 100,000 jobs could be directly created in the hospitality industry across Canada; as these Canadians in turn spend their incomes on Canadian goods and services, the initial impact would be multiplied. A start has been made by the recent announcements of reduced cost travel packages, but the gap is large and offers considerable potential for further action.

Recommendation: More competition could be encouraged through deregulation of transportation companies to provide no-frill service at minimum cost.

Recommendation: Greater attention should be paid to smoothing seasonal demand for hospitality by providing particularly attractive packages in the off-season.

Recommendation: Tourism promotion dollars should be directed to markets abroad in which we have gained a substantial competitive advantage.

Recommendation: *Competitive wages in the hospitality industry will ensure that costs compare with those prevailing in U.S. establishments.*

Recommendation: *Canada should undertake a major effort to become more attractive as a destination for U.S. auto travellers.*

REGIONAL DEVELOPMENT

A major priority in reshaping national policies to bring about Canada's economic recovery must be the reduction of regional income and employment disparities and the encouragement of regional development.

There is a need to re-examine and rationalize the broad array of existing government programs aimed at reducing regional disparities. There is an equal need to restore confidence in the ability of the national economy to deliver prosperity to all regions of Canada.

a) Regional Industrial Development

A new industrial policy for Canada requires that the nation mobilize its resources to promote high levels of new investment, productivity and competitiveness in order to expand jobs in Canada. This effort must be undertaken in such a way as to protect and expand an efficient economic base in all regions of Canada.

Recommendation: *The federal government should consider a regionally differentiated corporate tax structure as an incentive to private sector investment in the "have not" regions of the country.*

Recommendation: *Special attention should be focused on developing industries based on existing regional resources and industrial advantages.*

Recommendation: *The federal government should consider restraining the universal application of its environmental policies, particularly in matters of air and domestic waterways, to ensure that the balance between resource development programs and environmental concerns are established within the framework of provincial industrial priorities.*

b) More Flexible DREE Programs

To reduce the bureaucratic costs involved in DREE, the programs should be redefined so as to provide more flexibility with less red tape and delay.

Recommendation: DREE funding should be converted from a project specific basis to block funding.

Recommendation: DREE should greatly strengthen efforts to increase import replacement by upgrading research to identify local markets capable of being serviced by regional manufacturers.

A GENUINE CONSULTATIVE PROCESS

In a country as diverse as Canada, close and continuing cooperation both between the federal and provincial governments, and among business, labour, other private sector groups and government is the essential ingredient in strengthening public confidence in the Canadian economy and fostering a concerted plan of action for national economic development.

While the federal government must play the major role in economic matters, our federal system distributes the responsibility for economic policies and programs between the two levels of government. The achievement of a credible national economic development policy is dependent on the federal and provincial governments working closely together.

Intergovernmental cooperation by itself, however, is not sufficient. An equally important element in determining the country's economic objectives, policies and programs must be the advice of business, labour and other groups in the private sector. The Partnership for Prosperity Conference sponsored by Ontario in February 1977 and the Advisory Committee on the Economic Future, which was established in response to that Conference, are initiatives which demonstrate that properly constituted government/private sector consultation does work.

The same kind of cooperative activities must be established at the national level, both between the federal and provincial governments and between governments and the

various groups in the private sector. The mutual suspicion, the adversarial approach, and the conflict which have too often characterized these relationships over the past few years must be eliminated. Success in charting a new course in our economy will only come about if all work together more effectively.

Specifically, effectiveness requires that consultation be genuine. The participation of all concerned must come at the start of discussion, before decisions are taken, so that all views can be considered. Perfunctory consultation, of which there has been enough, is almost worse than no consultation at all.

Improved consultation does not require substantial new mechanisms, additional bureaucracy, or complex arrangements. The objective should be a relatively simple consultative structure that brings together government and private sector groups in an effective process leading to better public policies and programs.

Recommendation: *The focus of these consultative arrangements should be the Conference of First Ministers. The eleven heads of government should meet more frequently to consider Canada's economic objectives, to deal with the country's economic problems, and to decide on the policies to resolve them.*

Recommendation:

To support the work of First Ministers, a National Council on the Economy should be established. The Council would be composed of the federal and provincial Ministers of Finance and representatives of business, labour and other groups in the private sector. It would be a forum on the economy in which all governments and the private sector would, after a full discussion, define the major economic issues of the day and offer policy alternatives for consideration by the First Ministers.

It cannot be stressed sufficiently that fundamental to the success of this more intense and integrated consultative process must be the adoption of new attitudes of cooperation. A commitment to such attitudes is a prerequisite to a workable, supportable economic development policy for Canada.

NOTES

NOTES



Federal- Provincial
Conference of First Ministers
Ottawa

February 13-15, 1978

IMMEDIATE ACTIONS FOR JOB CREATION



Presented by the
Honourable William G. Davis
Premier of Ontario

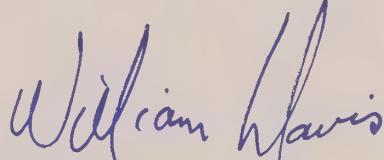
FOREWORD

There is little argument that governments must assume a significant share of the responsibility for the creation of conditions which lead to full employment and price stability. The world economic situation, and the competing and often conflicting demands we all make on Confederation have turned this responsibility into a particularly complex but vital task of the 1970's.

This document outlines ten specific proposals which the Ontario Government believes will make an early contribution to regaining the momentum of economic growth in Canada. These are measures which are designed to expand the private sector, create jobs and ensure growth with minimum public sector outlays.

I am particularly concerned that young people in Ontario and other parts of Canada should not suffer the burden of an uncertain economic climate. Today, close to half of the unemployed in Canada are young people. It is my firm belief that with proper policies and bold actions, we can offer them a secure future with good prospects of jobs and rising incomes, so that they, too, may enjoy the many benefits of this great country and contribute to the maintenance of its prosperity.

It is in this spirit that the Government of Ontario advances this national ten-point program for immediate job creation.



William G. Davis
Premier of Ontario

TEN JOB ACTIONS

- "MAKE A JOB - BUY CANADIAN"
- JOB CREATION FOR YOUTH
- INNOVATION IN CANADIAN INDUSTRY
- ACCELERATED INVESTMENT IN ENERGY PROJECTS
- JOB POTENTIAL IN THE AUTOMOTIVE INDUSTRY
- IMPROVED RAIL FACILITIES
- INVESTMENT IN THE FISHING INDUSTRY
- EXPANDED SHIPBUILDING FACILITIES
- REDUCING RED TAPE FOR BUSINESS
- MORE EFFECTIVE MANPOWER SERVICES

"MAKE A JOB - BUY CANADIAN"

Proposal

The federal government should embark on a "Make a Job - Buy Canadian" campaign to:

- encourage Canadian consumers to buy Canadian produced goods when quality and price are comparable to those of imports; and
- encourage Canadian industries and governments to adopt the same program.

Benefits

- The current trade deficit in fully manufactured goods is about \$11 billion, representing a potential employment opportunity of 170,000 jobs.
- Such a campaign can assist industry to rationalize so that it can compete more effectively in world markets. It will also assist in the process of building a national market.
- Part of this program would include a "See Canada First" promotion. Reduction of the \$1.7 billion foreign travel deficit provides an opportunity to recover up to 100,000 jobs in an industry which is labour intensive.

Means

Effective coordination of government purchasing policies will be necessary if Canadian industry is to take advantage of the widest possible domestic market.

A variety of joint public and private sector promotion efforts should be undertaken to improve the acceptability of Canadian products; one element could be a commonly identifiable symbol for Canadian produced goods.

An aggressive advertising program would increase consumer awareness of the economic impact, in terms of jobs and the balance of payments, of buying Canadian.

JOB CREATION FOR YOUTH

Proposal

An examination by the federal government of alternative ways to take better advantage of the \$1.3 billion in annual UIC payments made to youth, so as to create jobs of lasting economic and social benefit.

Ontario plans to increase its spending on job programs for young people from \$64 million to \$78 million in 1978.

Benefits

- The size of present UIC payments to youth, at \$1.3 billion, creates unusual opportunities for more aggressive experimentation in job-creating programs. If half of this amount were directed to these programs, youth unemployment could be cut by over 100,000.
- More effective use should be made of existing labour resources and training.
- Opportunities should also be created for new labour force entrants to gain on-the-job experience and develop marketable talents.
- Job creation should be mainly in the private sector.

Means

It is essential that the federal government develop a well funded and administratively simple private sector oriented program of job creation for youth to reduce unemployment.

INNOVATION IN CANADIAN INDUSTRY

Proposal

The federal and provincial governments should jointly provide a new performance tax credit to provide incentives for employment increases in industrial research, design and development over existing levels.

Benefits

- A number of sources have identified industrial technological innovation as the key factor in creating jobs and improving the performance of productivity and exports.
- The deficiency in Canada's ratio of research and development expenditures to GNP is dramatic. Expenditures are 1.1 per cent of GNP for Canada compared with 2.4 per cent for the United States and 2.3 per cent for West Germany. Canada's gap in industrial R & D jobs could be as high as 50,000.
- Successful innovation resulting from such a program could reduce this gap and add substantially to total manufacturing activity.

Means

By providing a continuing 100 per cent tax credit against additional employment, the program would provide positive incentives for an expansion of R & D jobs in Canada. If this program were to generate 10,000 jobs, the annual cost would be:

	10,000 New R & D Jobs (million)
- Salaries for new R & D Jobs	\$250
- Present Tax Treatment at 33% C.I.T.	\$ 83
- Proposed Tax Treatment	<u>\$250</u>
Net Incentive to Private Sector (C.I.T. loss)	\$167
Gain in P.I.T. Collections (at 20% rate)	<u>\$ 50</u>
Net Federal-Provincial Annual Cost	\$117

ACCELERATED INVESTMENT IN ENERGY PROJECTS

Proposal

The federal government should act quickly to remove impediments to the acceleration of investments in the energy sector, especially private sector investments, and take full advantage of job-creating opportunities and the availability of capital and industrial capacity in Canada.

The maximum economic benefit to Canada in jobs and incomes will be obtained only if high levels of Canadian content can be ensured.

Benefits

- The magnitude of Canada's energy investment program is such that even modest accelerations over a few large projects would yield significant economic results. Energy investments are estimated to be \$74 billion in the five-year period 1978 to 1982, and will account for some 20.7 per cent of total private and public capital investment.
- The following tables show the scale of some of the major projects under consideration. Employment estimates are approximate and should be taken as guides to general magnitudes. The jobs are shown in total man-years and do not represent annual jobs.

ESTIMATED ENERGY INVESTMENTS IN RELATION TO TOTAL INVESTMENT (billions of current dollars)

	1978	1979	1980	1981	1982	5-Year Total
Energy Investment	10.3	11.8	14.7	17.3	19.4	73.5
Total Capital Investment	53.1	60.8	70.0	80.5	90.5	354.9
Energy Investment as Per Cent of Total Investment	19.4	19.4	21.0	21.5	21.5	20.7

Source: Canadian Imperial Bank of Commerce.

EXAMPLES OF JOB CREATION POTENTIAL IN
SELECTED MAJOR ENERGY PROJECTS IN CANADA

Project	Construction Period	Total Cost (billions of current \$)	Job Creation (man years)
Foothills Pipeline	1979-82	3.8	56,600
Husky Oil Upgrading	1979-82	0.7	9,100
Imperial Oil (Cold Lake)	1979-85	3 to 4	40,000 to 53,300
Kitimat Oil Pipeline	1980-82	0.8	10,700
Lower Churchill	-	1.4	18,700
Onakawana	-	2.0	26,700
Polar Gas	-	8.5	113,300
Shell Oil (Oil Sands)	1980-85	3 to 4	40,000 to 53,300
Syncrude Expansion	-	1.0	13,300
Ontario Hydro Program	1978-81	8.6	115,000
Quebec Hydro Program	1978-81	13.0	170,000
B.C. Hydro Program	1978-81	3.6	48,000
Bay of Fundy Tidal Power	-	2 to 4	26,000 to 53,000
TOTAL		51.4 to 54.4	687,400 to 741,000

Notes: Estimates include jobs created in construction, engineering, and supply industries. Multiplier effects are excluded.

JOB POTENTIAL IN THE AUTOMOTIVE INDUSTRY

Proposal

There are four problems which have to be resolved in order for Ontario to have a viable automotive industry in the 1980's:

- the auto industry is currently faced with a \$1 billion deficit which should be eliminated;
- the North American auto industry has scheduled more than \$50 billion in new investment through to the mid-1980's, and Canada should receive its fair share of these expenditures;
- the skill composition of Canadian auto industry jobs should be improved; and
- the Canadian auto industry should receive a fair share of the research and development being undertaken by the auto companies.

Benefits

- Immediate employment gains of 15-20,000 jobs could be realized by the Canadian industry if the deficit could be brought into balance.
- Also, with a fair share for Canada of the auto investment program, up to 10,000 additional jobs would be available by the early 1980's.
- The competitiveness of the industry in terms of both higher productivity and lower costs would be enhanced.
- There is also a potential of 2,500 jobs in the research and development area.

IMPROVED RAIL FACILITIES

Proposal

The current program to modernize Canada's rail facilities should be accelerated to improve the productivity and efficiency of the total system for passenger and freight. This would include setting as a major objective a high-speed (125 m.p.h.) passenger service on an exclusive track basis in the Quebec-Windsor Corridor.

Benefits

- Improvement of facilities across the country would result in the immediate creation of thousands of jobs and large new industrial orders in the steel rail, and signal equipment industries.
- The Quebec-Windsor Corridor improvements would cost \$250 million, creating 1,200 jobs for five years.
- System efficiency would be improved and opportunities would be opened up for investment in better rolling stock and for economically sound use of newer stock.

Means

The federal government could open up a line of credit to CN/CP to permit an expansion of the present investment program.

The Ontario Government would be willing to explore a shift in some of its expenditure priorities over the next two years to join in a shift of federal government expenditure priorities into grade crossings and grade separations to complement the investment in new track.

The federal government should give serious consideration to other opportunities for CN/CP investment in new track and equipment across Canada as indicated, for example, in the Hall Report.

INVESTMENT IN THE FISHING INDUSTRY

Proposal

Private sector investment should be encouraged to modernize and expand Canada's fishing fleets so that they can compete more effectively with foreign trawlers and take full advantage of the economic opportunities provided by the new 200 mile limit. The new limit will also, in time, open up new opportunities in seabed exploration and mining, for which modernized shipbuilding, repair and shore facilities will be required.

Benefits

- Large increases in fish catch, better use of existing fish processing facilities and new investments.
- The new fishing zone is estimated to open up potential orders for 20 or more trawlers annually from operations on the east coast and another 5-7 annually from the west coast. About 15,000 shipyard employees in Canada face enormous uncertainties about the industry's future. Ontario's shipyards need new construction orders, as do the yards in several other provinces.
- Broad economic benefits would accrue from additional purchases of trawlers, and orders by shipyards of industrial goods and materials from all parts of Canada.

Means

The upper limit on loan guarantees which is now \$50,000 should be increased dramatically to allow Canadian industry to move into modern sized ships. Aggressive international marketing and promotion, and concessions at the Geneva trade talks, would assist in creating the maximum number of jobs from sales of fish and fish products.

EXPANDED SHIPBUILDING FACILITIES

Proposal

For domestic shipyards to take advantage of the growing Canadian demand for large freighters requires the expansion of Canada's freshwater shipbuilding and ship-repair facilities. In particular, this requires the provision of large-scale dry dock facilities on the Upper Great Lakes.

Benefits

- Improved facilities would ensure Canada's participation in the shipbuilding and ship-repair growth potential associated with 1,000 foot vessels in the Upper Great Lakes.
- The creation of long term jobs and the encouragement of private sector investment in the industry.

REDUCING RED TAPE FOR BUSINESS

Proposal

All governments should take steps to reduce red tape and simplify regulations which inhibit business activity. In particular:

- the implementation of Phase II of the Competition Act should be delayed for at least five years;
- there should be no major changes at this time in legislation, such as those in the proposed Bank Act and Borrowers and Depositors Protection Act, both of which affect the stability of Canada's financial institutions;
- governments should consider submitting all major new legislative and program proposals to an economic impact test of the kind recently implemented by Ontario, so that adverse employment and economic growth consequences are fully understood.

Benefits

- Would avoid the uncertainty associated with the bureaucratic regulation of new areas of industrial activity.
- Would get government out of the affairs of business and improve general business confidence in the role of government in the economy.
- Would avoid the counter-productive interference with the process of industrial rationalization that would result from the highly discretionary bureaucratic procedure to investigate dominant firms, mergers and agreements to specialize production.
- Would avoid duplication of regulatory activity where self-regulation, with agricultural marketing boards, for example, has demonstrated its effectiveness.

MORE EFFECTIVE MANPOWER SERVICES

Proposal

The Ontario Government recognizes the value of steps taken to date to improve and consolidate federal manpower services. Top priority should now be given to improving the effectiveness and efficiency of those services. These efforts should include measures to integrate provincial job creation initiatives under one roof.

Benefits

Although it can be said that the combination of manpower, job creation and related programs now provide more comprehensive support of the unemployed than at any time in the past, the machinery in place could be made yet more effective and client responsive. Accordingly, the benefits of the proposal would be reflected in satisfying the following needs:

- to facilitate labour force entry for young people;
- to address the more pronounced employment needs of special groups;
- to move labour more quickly from surplus to shortage regions within and between provinces;
- voluntary registration of more private sector jobs;
- to prepare for inevitable and necessary structural adjustments in the economy (GATT, industrial strategy);
- to provide more precise intelligence on economic conditions and employment prospects (e.g., by occupation, industry, region).

NOTES



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SUMMARY OF
ALTERNATIVE IDEAS ON CONSULTATIONS
ON THE ECONOMY
BY THE
MINISTER OF STATE FOR
FEDERAL-PROVINCIAL RELATIONS



Over the last three days we have heard many references to the effect that we are laying the groundwork for a new approach to the making of national economic policies for Canada. That in turn, evokes in many of our minds, a recollection of one of our most venerable political expressions, Sir John A. Macdonald's "National Policy". Of course, the actual policies and the processes we are following in creating them are very different than those Sir John A. followed before he announced the National Policy 100 years ago next month. A century ago, Sir John A. simply announced what his national policy was going to be: no discussions with provincial governments, no series of visits to provincial capitals and no federal-provincial conferences preceded his announcement and no one seems to have expected that they would. By contrast, any policies and processes we decide upon in this area today will emerge as a result of the process of federal and provincial consultation begun in the months preceding this meeting and as a result of the continuing process of consultation upon which I hope the First Ministers will agree today.

This part of the Conference follows from that commitment to consultation and seeks your direction about the shape of structures to facilitate that process. With your consent, I would like to say a few words about what we have set in motion so far and then I want to seek your consideration of some concrete proposals.

The necessity for the current round of discussions seems obvious. The division of jurisdictions between the federal government and the provinces is not always clear. While the BNA Act may have attempted to avoid the problems of divided but interconnected jurisdictions, the time when "the ship of state had watertight compartments" is long past, if it ever existed at all. It is true that there are some areas where jurisdiction is relatively clear cut and it seems desirable that any new constitutional settlement should provide more such areas. But all of us know that no matter how hard we may try to disentangle federal and provincial responsibilities, some areas of overlap will always be with us and many more areas where the impact of federal and provincial policies upon each other are critical will remain.

There is perhaps no area in which interdependence is as pervasive as in the economic domain. Here, even where jurisdictions are not shared, the policies of each level have a profound impact on the others. Thus, as the Prime Minister put it, the real condition for the success of this Conference in leading the way towards a better economic future is that it mark the beginning of a process of more complete and purposeful intergovernmental consultation.

That process has been well begun. Over the last two months we have seen a series of over a dozen sectoral meetings and many more meetings at the officials' level - all leading to the deliberations here this week. There have also been numerous meetings with private sector groups and all of this in addition to the every day web of relationships among governments and between governments and society in Canada. The question now is what to do in the future to institute a process of a more continuing nature.

Looking to that future, I would hope that you first might consider a further First Ministers' meeting on the economy, before the end of this year. At that time, First Ministers would be in a position to consider the results of the consultations among sectoral ministers and their officials, which will take place between now and then. That conference and the meetings leading up to it would, I hope, provide a final basis for the elaboration of the national economic strategy which is beginning to emerge here this week.

Such a meeting will provide a focus for our efforts over that period and will impose a series of deadlines upon those of us charged with making this consultative process work well. It will also ensure that our discussions will be conclusive and will result in additional concrete policy recommendations. I would thus ask the First Ministers to consider making a firm commitment to such a further meeting before the end of this year.

So far as the longer term is concerned, several federal proposals were contained in the policy document on consultation which you have had before you for some time. They provided for:

- a) Involvement of the private sector in the federal-provincial discussions for development of some of the specific sectoral approaches. My federal colleague, Mr. Horner, has already brought this possibility to your attention and highlighted the possible activities of the various sectoral committees.
- b) The possible establishment of a National Industrial Council to assess and synthesize recommendations which will flow out of the specific industrial task forces before those results are reviewed by federal and provincial ministers.
- c) Consultations on the regional economies or on specific regional issues such as transportation. These hearings might bring together appropriate federal and provincial ministers with regional and local decision-makers or interest groups. Governmental representatives might simply listen and ask questions or they might exchange views with the non-governmental participants.

There have also been some proposals made by provinces during the last couple of days. The Premier of Ontario suggested that "improved consultation does not require substantial new

mechanisms, additional bureaucracy or complex arrangements". I think all of us would say "amen" to that. Mr. Davis recommended that the focus of the consultative arrangements should be more frequent meetings of this Conference of First Ministers. He suggested the possibility that its work should be supported by a National Council of the Economy, composed of federal-provincial Ministers of Finance and representatives of the private sector. The Premier of British Columbia also saw the meeting of First Ministers as the focal point of a cooperative approach to economic policy. He suggested a more structured approach with the First Ministers sitting "semi-annually as a Council of First Ministers". He also suggested that each First Minister designate one senior official as the economic policy coordinator for his government: the coordinators as a group to work together as a secretariat on "economic policy and strategy".

The federal government would welcome some discussion of both these possibilities today. From our point of view, the establishment of a National Council of the Economy seems like a highly worthwhile initiative. It might well substitute for our suggestion of a National Industrial Council. However, many questions remain to be answered if we are to move ahead with this proposal. For example, would it need to be a newly created body or could it be built by some modification of an existing structure such as the Economic Council of Canada? What should be the exact nature of its membership, its terms of reference and its relationship to First Ministers' meetings? In view of these questions and others like them, it may prove

impossible to come to a detailed agreement today but at the least I hope we could create a task force to suggest final terms of reference which might then be ratified at the First Ministers' meeting which we hope will take place later this year.

In the same way, that meeting would provide the opportunity to decide whether it would be desirable, as Premier Bennett has suggested, to have some special designation of officials who would be "economic policy coordinators" and who would collectively constitute a new secretariat for policy implementation. We already have the Continuing Committee of Deputy Ministers of Finance, which meets at least once or twice a year. Most governments have officials with a special responsibility for intergovernmental relations who are in frequent contact. We have seen in the highly productive meetings of the last three months that it is possible to act together very effectively if there is the will to do so. It may be that we have the means now available and only require to use them more effectively.

To summarize, then, I would invite your consideration of any or all of the following possibilities:

- (1) A further meeting of First Ministers late this year to receive reports on the consultative work currently in progress and to finalize mid-term economic policies.

- (2) The use of the Economic Council of Canada as an agency to which governments could jointly refer studies.
- (3) Private sector involvement in specific sectoral discussions.
- (4) Specific consultations on regional economies or regional issues with involvement by governmental representatives and representatives of the private sector.
- (5) The establishment of federal-provincial task forces on subjects of specific concern such as that on governmental regulation and the economy agreed to on Monday.
- (6) Agreement to establish a National Industrial Council or a National Council on the Economy comprising some combination of the public sector and representatives of labour, business and other groups in the private sector and with terms of reference defined to feed into First Ministers' meetings. The terms of reference and structure could be finally agreed upon at the next First Ministers' meeting.
- (7) Agreement upon more frequent meetings of First Ministers' Conferences possibly with consideration at the next First Ministers' meeting whether some permanent secretariat is desirable.

In the end it is, of course, the way individual Canadians, as workers, owners, investors, and entrepreneurs, conduct themselves which will determine how well we recover and how well we advance. But the way in which we in government conduct ourselves is also of enormous importance - not only because of the huge impact upon Canadians of the measures we adopt but also because what we do and the way we do it affects confidence in our capacity to manage our own affairs. In a modern federal state that means the sort of processes we are discussing today. It is hardly the most glamorous part of life in politics and government but it may well be the most important.

CONCLUSIONS
OF
THE CONFERENCE



The First Ministers of Canada's eleven governments have arrived at far-reaching agreement in a large number of economic matters.

Following three days of intensive meetings in Ottawa and two months of preparatory sectoral talks, they announced steps today that will:

- facilitate the setting of economic objectives,
- improve demand management policies,
- foster responsible price and incomes behaviour,
- strengthen the business investment climate,
- and further shape trade, industry, energy, manpower and regional development initiatives.

First Ministers see an expanding private sector as the major impetus for growth in the Canadian economy.

After agreeing to important policy improvements, they outlined a list of major projects in energy, automobiles, transport and fisheries that can be initiated to stimulate economic growth.

1. Medium-Term Objectives

- (i) It was agreed that the basic and clear objectives of economic policy should be a sustained growth of output and employment, a reduction of unemployment and a reduction in the rate of inflation.
- (ii) The governments agreed that the expansion of jobs should come to the largest extent possible from business investment in the private sector, the development of new sources of energy, and from a more rapid growth of exports than imports. The increased level of investment necessary to be largely financed from abundant Canadian savings.
- (iii) Progress in the restoration of price stability is critically important.
- (iv) Governments recognized that action is required now to speed up the economic recovery which has now begun. In this context, setting out medium-term projections and targets for the Canadian economy is desirable and useful.

2. Demand Management Policies

- (i) The general instruments of monetary and fiscal policy should be used to encourage the growth of demand which would bring the desired growth of output and employment at declining rates of inflation.
- (ii) The monetary policy being pursued by the Bank of Canada is consistent with this objective. First Ministers agreed that the Governor of the Bank of Canada should review the objectives of monetary policy with the Conference of Finance Ministers on an annual basis.
- (iii) The trend of government expenditure growth should be held, on average, to less than the trend growth in the value of the G.N.P. or provincial gross product. In this context, however, it was agreed that capital expenditures of a revenue producing nature were important to economic growth and development.

(iv) Current large deficits limit the ability of governments to provide further economic stimulus through either increased spending or tax reductions. But these deficits should be reduced quickly as the desired rate of recovery is achieved.

3. Prices and Incomes Policies

- (i) The achievement of the medium-term economic objectives is dependent upon sustained reduction in the rate of inflation of prices and costs. In the post-controls era, the common sense and realism of all Canadians must be relied upon to avoid any renewed outburst of inflationary pressures. In this regard, effective consultations between governments and the private sector would be crucial in lowering the rate of inflation to the target level of $3\frac{1}{2}\%$ by 1981.
- (ii) It was agreed that the Economic Council of Canada in addition to its present statutory functions be requested, if feasible, to assume the responsibility for analyzing price and cost developments for a limited post-control period. Its function would be to inform the public and draw public attention to cost or price developments which appear to threaten the national economic objectives. It would also have a research and educational role in the improvement of productivity.
- (iii) The level of total compensation paid to public employees should not lead the private sector. It was agreed to establish a mechanism for the exchange of compensation information among governments and to continue consultations on practices in this important area.

4. The Business Environment

- (i) The burden of government regulation on the private sector should be reduced and the burden of overlapping federal and provincial jurisdictions should be eliminated. Procedures will be instituted to review the efforts of regulatory action on jobs and costs. First Ministers agreed that the whole matter of economic regulation at all levels of government should be referred to the Economic Council for recommendations for action, in consultation with the provinces and the private sector.
- (ii) Foreign investment is welcome in Canada (wherever it is consistent with national or provincial objectives).
- (iii) The federal-provincial corporate tax structure appears to be internationally competitive and must remain so.
- (iv) Finance and Resource Ministers will undertake an early review of the taxation of the petroleum and mineral industries.
- (v) Joint steps will be taken to improve tax incentives or credits to industry for research and development, the expansion of employment opportunities in these areas, and increased dissemination and application of existing technology.

5. Trade and Industrial Policy

- (i) Canadians should be encouraged to buy Canadian-produced goods where quality and price are comparable to imports. A joint federal-provincial advertising campaign based on the slogan "Create a Job - Buy Canadian" should be developed in an overall program of import replacement.
- (ii) Canada should continue to conduct negotiations in GATT with the aim of achieving positive net benefits to Canada and a balance of benefits and costs which reflects the interest of all provinces.
- (iii) The federal government will continue to keep provinces informed on progress of GATT negotiations and will consult with them as soon as possible on matters of their concern.
- (iv) There was general agreement that continued growth in exports is important and that Canada should seek to expand them through reduction in tariff and non-tariff barriers, particularly for the export of processed raw materials, recognizing that some price has to be paid for such greater access in terms of allowing access to the Canadian market.
- (v) There was general agreement that new arrangements resulting from trade negotiations will require some adjustment for particular industries. Governments should move with despatch to indicate the type of assistance for such adjustment which will be available. The process of adjustment would be facilitated if changes in tariff policy were introduced gradually.
- (vi) Efforts should continue to be made to expand export opportunities for agriculture and fishing products machinery and equipment and petrochemicals, and to increase Canada's share of auto production and investment.

6. Manpower Policies

- (i) Immediate and high priority will be given to strengthening manpower training and placement programs with particular attention to youth, women, workers affected by lay-offs, disadvantaged groups, and areas of highest unemployment.
- (ii) Continuing attention will be given to the innovative use of Unemployment Insurance funds for productive employment and job creation.

7. Regional Policies

- (i) First Ministers strongly affirmed the importance of reducing regional disparities and the continuing need for review and expansion of programs for regional development, based on the longer-run economic development potential and transportation requirements of each province and region.
- (ii) It was agreed that DREE should continue to be a major federal agency for these purposes.

8. Energy

- (i) First Ministers strongly affirmed the importance of reducing dependence on foreign sources of energy.
- (ii) They agreed that intensive programs of conservation, substitution among energy sources, and R & D for new energy technologies be pursued.
- (iii) In addition, they agreed to collaborate in accelerating major energy developments wherever appropriate.

9. Agriculture

First Ministers placed heavy emphasis on the importance of agriculture and food sectors in the Canadian economy. They agreed to recommendations submitted to them by their Agriculture Ministers. Included in these policies are: upgrading and processing of agricultural products; buy Canadian food campaign; grain marketing strategy for Canada, agricultural research; expansion of international markets for Canadian agricultural products and an improved transportation system.

10. Tourism

First Ministers agreed to collaborate in a national campaign to expand the domestic tourist industry by increased travel promotion, by expansion and improvement of facilities, and by minimizing costs to both Canadians travelling at home and foreign visitors.

11. Fisheries

First Ministers agreed that all governments must move quickly to maximize Canada's economic potential arising from the implementation of the 200-mile limit and that greater provincial involvement in policy development should be facilitated. For example, initiatives should be launched concerning fleet development, onshore production facilities, harbour and wharf improvements, marketing development and training of personnel.

12. Forestry

Governments agreed to:

- (i) The importance of R and D programs, greater technology transfers, and modernization of capital plant and equipment in forest-based industries.
- (ii) Cooperate towards the elimination of the spruce budworm and other harmful infestations.
- (iii) The importance of continuing silviculture re-forestation programs, and to study the possibility of reorienting Canada works programs in that direction.
- (iv) Continue federal-provincial cooperation on forest management.

13. Housing

First Ministers agreed:

- (i) That Ministers responsible for housing should examine the provinces' proposal for global funding of housing programs.
- (ii) To increase the rate of housing production for those in greatest need.
- (iii) To make the greatest possible use of private capital to finance housing production.
- (iv) To simplify rules governing federal and provincial housing and community services program operations.
- (v) To simplify federal housing programs.

14. Manufacturing Industries

First Ministers agreed to seek out the active involvement of the private sector (including business and labour) in federal-provincial discussions on specific development programs tailored to the particular requirements of each of the manufacturing sectors.

Agreement on follow-up arrangements will be added to this summary of conclusions.

MAJOR CAPITAL PROJECTS

The Federal Government and Provinces involved agreed on an investment and job creation program to include the following projects:

Energy

1. Gull Island Hydro

First Ministers today tabled a joint press release by Premier Moores of Newfoundland and the Federal Minister of Energy, Mines and Resources concerning the establishment of the Lower Churchill Power Development Corporation that will deal with engineering, marketing, financing and construction of the Gull Island Hydro project.

2. Incentive Package for Non-Conventional Oil

The federal and Saskatchewan governments in conjunction with the private sector would jointly participate in the development of a heavy oil upgrading facility in northwestern Saskatchewan.

These two governments also agreed to coordinate their tax and royalty structures to provide inducements for the development of enhanced recovery projects.

The Federal Government and Provinces involved agreed that priority attention be given to accelerate consideration of the following major projects:

1. Maximize benefits from new 200-mile fisheries limit.

Federal and provincial governments will adopt programs and measures to ensure the preservation of fishing stocks and the adequacy of the fishing fleet and on-shore processing and support facilities including the prospect of modernizations throughout the industry.

2. Expansion of grain storage facilities at Prince Rupert.

Alternatives for grain storage and grain handling at Port of Prince Rupert.

3. Increased automotive industry investment.

Federal and provincial governments will provide incentives and take measures to ensure that the proportional share of the increasing investment in new plant for the automobile industry takes place in Canada.

4. Opening of New Cape Breton coal mine.

DEVCO is presently evaluating a new coal mine at Donkin, which would produce an estimated 1.6-2.0 million tons/year, cost an estimated \$100 million, and employ up to 1,000 workers.

5. Natural gas pipeline to eastern Canada.

The government of Canada will encourage the application for a natural gas pipeline extending eastward from Cornwall to the Maritimes with initial construction in 1979.

6. Fundy Tidal Power

N.S., N.B. and the federal government have financed Phase I of tidal power study. Depending upon a favourable Phase I report, the three governments agree to proceed with detailed site engineering work.

7. Dempster Pipeline

The Foothills consortium is committed to filing an application by July 1, 1979 for the Dempster extension to the Mackenzie delta.

8. Polar Gas Project

First stage of the application is now before the N.E.B.

9. Tenneco Liquified Natural Gas (LNG) Terminal Project

Tenneco would import Algerian LNG to terminal at Saint John, N.B. for vaporization and delivery by 66 mile pipeline to U.S. border. Approved by NEB. Approval in U.S. contingent on outcome of LNG import policy reviews.

10. Arctic Pilot Project

Melville Island LNG (250 MMcf/d) would be shipped to U.S. or Canadian East Coasts. Petrocan would participate. Regulatory applications expected in 1978.

11. Summerside P.E.I. Demonstration of Fluid Bed Boiler (Coal/Garbage)

Atmospheric pressure combustion for heating plant. Inputs are coal and/or waste. Conceptual design phase. Decision to start design expected in 1978-79.

12. Ontario Hydro-
Bruce, Pickering,
Darlington, Wesley-
ville, Atikokan

The Ontario Government will continue to support Hydro's construction programme recognizing not only job creation but that any marginal surplus will find ready markets.

13. Improvements to the
national railway system.

Expanded investment in
railway roadbed, modernization
and retracking across the
country.



